



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2009 Biennium

|                         |               |                |   |
|-------------------------|---------------|----------------|---|
| <b>Bill #</b>           | HB0761        | <b>Title:</b>  | Creditable retirement service for deployed teachers |
| <b>Primary Sponsor:</b> | French, Julie | <b>Status:</b> | As Introduced                                       |

**Retirement Systems Affected:** ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police  
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?  
☒ Has the cost of this legislation been calculated by the system's actuary?  
☐ Does this legislation include full funding for any benefit revisions?

|   | <b>July 1, 2006<br/>Current</b> | <b>July 1, 2006<br/>With Changes</b> | <b>Increase/<br/>(Decrease)</b> |
|---|---------------------------------|--------------------------------------|---------------------------------|
| Present Value of Actuarial Liability                | \$3,608,900,000                 | \$3,611,300,000                      | \$2,400,000                     |
| Present Value of Actuarial Assets                   | \$2,745,800,000                 | \$2,745,800,000                      | \$0                             |
| Actuarial Accrued Liability (AAL) Unfunded/(Funded) | \$863,100,000                   | \$865,500,000                        | \$2,400,000                     |
| Amortization Period of AAL                          | Does not amortize               |                                      | Does not amortize               |

|                            | <b>July 1, 2006</b> | <b>July 1, 2007</b> | <b>July 1, 2008</b> | <b>July 1, 2009</b> | <b>July 1, 2010</b> |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Employee Contribution Rate | 7.15%               | 7.15%               | 7.15%               | 7.15%               | 7.15%               |
| Employer Contribution Rate | 7.47%               | 7.47%               | 7.47%               | 7.47%               | 7.47%               |
| State Contribution Rate    | 0.11%               | 0.11%               | 0.11%               | 0.11%               | 0.11%               |
| TOTAL Contribution Rate    | 14.73%              | 14.73%              | 14.73%              | 14.73%              | 14.73%              |

**FISCAL SUMMARY**

|   | <b>FY 2008<br/>Difference</b> | <b>FY 2009<br/>Difference</b> | <b>FY 2010<br/>Difference</b> | <b>FY 2011<br/>Difference</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures:</b>                    |                               |                               |                               |                               |
| General Fund                            | \$0                           | \$0                           | \$0                           | \$0                           |
| Other - Pension Trust                   | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Revenue:</b>                         |                               |                               |                               |                               |
| General Fund                            | \$0                           | \$0                           | \$0                           | \$0                           |
| Other - Pension Trust                   | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Net Impact-General Fund Balance:</b> | <u>\$0</u>                    | <u>\$0</u>                    | <u>\$0</u>                    | <u>\$0</u>                    |

**Description of fiscal impact:** House Bill 761 grants to members of the Teachers' Retirement System who served in Afghanistan or Iraq creditable service for active service in military, red cross, or merchant marines at no cost to the member. HB 761 does not include a funding source to pay for the additional cost, thus increasing the unfunded liabilities of the Teachers' Retirement System.

**FISCAL ANALYSIS****Assumptions:**

1. HB 761 will increase the unfunded liabilities of the Teachers' Retirement System \$2.4 million and includes no additional funding to pay for the benefit enhancement.
2. It is not possible to accurately estimate how many members of the Teachers' Retirement System would be eligible for the increase in service credit over the next 30 – 40 or more years. For comparison the System has data showing there were 2,330 teachers who are currently retired or active that have submitted their discharge papers showing they were eligible for on average over 2 years of military service under similar provisions for military service since 1981. The majority of these should be for service in Korea and Vietnam. The assumptions used are based on the make-up of the current teacher population and generally assume these conflicts will not continue over a prolonged period. For the purpose of this fiscal note, we have estimated 250 eligible members would receive an average of 2 years.
3. If 250 members receive an average of 2 years of additional service credit, an employer contribution rate increase of approximately 0.05%, from 7.47% to 7.52%, is required to actuarially fund HB 761.
4. The cost estimates in this fiscal note are based on the assumptions, methods, plan provisions, assets and member data used in the July 1, 2006 actuarial valuation. The valuation is available from the Teachers' Retirement System, or at: [www.trs.mt.gov](http://www.trs.mt.gov)
5. Any additional administrative expenses are expected to be small and absorbed in the regular budget of the Teachers' Retirement System.

**Technical Notes:**

1. The bill does not include a funding source for pay for the additional unfunded liabilities created by this proposal.
2. The bill does not identify the beginning or ending dates of the conflicts.

\_\_\_\_\_  
*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*